



United States General Accounting Office
Washington, DC 20548

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February 24, 2003

The Honorable Richard C. Shelby
Chairman
The Honorable Paul S. Sarbanes
Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Michael G. Oxley
Chairman
The Honorable Barney Frank
Ranking Minority Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Disclosure of Proxy Voting Policies and Proxy Voting Records by Registered Management Investment Companies*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (SEC), entitled "Disclosure of Proxy Voting Policies and Proxy Voting Records by Registered Management Investment Companies" (RIN: 3235-AI64). We received the rule on February 3, 2003. It was published in the Federal Register as a "final rule; request for comments on Paperwork Reduction Act burden estimate" on February 7, 2003. 68 Fed. Reg. 6564.

The final rule requires registered management investment companies to provide disclosure about the policies and procedures they use to determine how to vote proxies relating to portfolio securities they hold. The final rule also requires registered management investment companies to file with the SEC and to make available to shareholders the specific proxy votes that they cast in shareholder meetings of issuers of portfolio securities.

Enclosed is our assessment of the SEC's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review indicates that the SEC complied with the applicable requirements.

If you have any questions about this report, please contact James W. Vickers, Assistant General Counsel, at (202) 512-8210. The official responsible for GAO evaluation work relating to the subject matter of the rule is Thomas McCool, Managing Director, Financial Markets and Community Investment. Mr. McCool can be reached at (202) 512-8678.

signed

Kathleen E. Wannisky
Managing Associate General Counsel

Enclosure

cc: Margaret H. McFarland
Deputy Secretary
Securities and Exchange Commission

ENCLOSURE

ANALYSIS UNDER 5 U.S.C. § 801(a)(1)(B)(i)-(iv) OF A MAJOR RULE
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
"DISCLOSURE OF PROXY VOTING POLICIES AND
PROXY VOTING RECORDS BY
REGISTERED MANAGEMENT INVESTMENT COMPANIES"
(RIN: 3235-AI64)

(i) Cost-benefit analysis

The SEC has estimated that the total annual external and internal direct costs of the final rule to be \$12,725,253.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607, and 609

The SEC prepared an Initial and Final Regulatory Flexibility Analysis in connection with the proposed and final rules, respectively. The analyses meet the informational requirements of the Act.

While the SEC does not believe that an exemption from coverage for small entities would be consistent with the goal of investor protection, the SEC finds that certain modifications to the proposed rule will benefit small entities. Permitting a fund to disclose its proxy voting record on an annual rather than semi-annual basis and allowing a fund to make its proxy voting record available on or through its Web site should benefit small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the SEC is not subject to title II of the Unfunded Mandates Reform Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The final rule was issued using the notice and comment procedures found at 5 U.S.C. 553. On September 26, 2002, the SEC published in the Federal Register a Notice of Proposed Rulemaking. 67 Fed. Reg. 60828. In response, the SEC received over 8,000 comments, which are discussed in the preamble to the final rule.

Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

The final rule contains information collections that are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act. In the proposed rule, the SEC provided the information required under the Act, including the estimated annual burden imposed by the five collections. In the preamble to the final rule, the SEC discusses the comments it received in response to the prior notice and how it has amended its estimates based upon changes in the final rule and the comments received.

The newly revised information has been forwarded to OMB for review and approval and additional comments have been solicited.

Statutory authorization for the rule

The final rule is promulgated pursuant to sections 5, 6, 7, 10, 19(a), and 28 of the Securities Act; sections 10(b), 13, 15(d), 23(a), and 36 of the Exchange Act; and sections 6(c), 8, 24(a), 30, 31, and 38 of the Investment Company Act.

Executive Order No. 12866

As the rule is promulgated by an independent regulatory agency, it is not subject to the review requirements of the order.